

Reducing Excess Inventory

OUR THREE-YEAR GOAL

Dispose of \$2.2 billion in excess National Defense Stockpile inventories and \$3 billion of unneeded government property while reducing supply inventory by \$12 billion.

After the end of the Cold War, we found ourselves with a huge inventory of materials and supplies that we no longer needed. By using up, selling, or otherwise disposing of this inventory, we are recovering and reducing costs by billions of dollars. We will use this money for military modernization, operations, and maintenance.

The National Defense Stockpile is a large inventory of strategic and critical materials set aside for a national emergency. The market value of the 1997 stockpile was \$5.3 billion. We can sell or otherwise dispose of excess inventory after we receive the proper authority from Congress. By law, however, we must try to avoid causing undue market disruption. Our goal is to dispose of \$2.2 billion in excess stockpile inventories by the year 2000.

We are also working to reduce the amount of DoD property held by defense contractors. We often loan contractors government tooling or equip-

ment to perform defense-unique tasks. Since the 1980s, the original value of our property in contractor hands has grown in spite of repeated efforts to curb growth. Our goal is to dispose of \$3 billion worth by the year 2000.

Finally, we are looking to *Reduce Excess Inventories* to match the current needs of our reduced troop levels. From a 1989 high valued at \$107 billion, we are now reducing from \$68 to \$56 billion by 2000.

TAKING ACTION

We are aggressively marketing to sell our inventory of critical and strategic materials. We are working closely with Congress and industry to ensure that we receive a good price for our inventory without unfairly undermining the commercial market.

In the future, to reduce the amount of government property held by contractors, we will rely on commercial suppliers to use their own equipment.

To reduce our excess supply inventory, we are being more selective in what we buy and how we buy it. We are improving equipment reliability, decreasing order and delivery times, and bypassing government warehouses.

Minimizing Weapons Cost Growth

OUR THREE-YEAR GOAL

Minimize cost growth in major defense acquisition programs to no greater than one percent annually.

Historically, we have overspent our original budgets for major new weapons. Some of this cost growth was necessary to deal with changes in technology. Schedule slips and inaccurate estimates of the original cost have caused additional cost growth. Our goal is to minimize cost growth during the development and production of major new weapons by achieving greater program stability.

TAKING ACTION

To control the cost growth we are continuing to:

- monitor major weapon programs quarterly for cost growth;
- focus on cost growth when making programming and budgeting decisions; and
- look closely at how much money programs are asking for in the program acquisition process.

We are measuring our progress and studying additional actions to keep cost growth below one percent.

DoD ESTABLISHES DEFENSE CONTRACT MANAGEMENT AGENCY

The Department of Defense announced today the establishment of the Defense Contract Management Agency [DCMA] effective March 27, 2000. Establishing the DCMA assigns responsibility for Department of Defense contract management to the new agency.

DCMA was formerly the Defense Contract Management Command [DCMC], a major subordinate command of the Defense Logistics Agency [DLA].

"Establishing DCMA will allow us to be more responsive to both our military service and defense agency customers," said Maj. Gen. Timothy P. Malishenko, DCMA Director. We're committed to great service, and I expect that as an agency we will continue to be a catalyst for the success of defense acquisition reform."

DCMA will be under the direction and authority of the Under Secretary of Defense (Acquisition, Technology and

Logistics). The agency will consist of all the employees and resources of the former DCMC, including 12,539 full-time positions for fiscal 2000 that will be transferred from DLA.

DCMA supervises and administers contracts with the thousands of suppliers who deliver goods and services to the military each year. The new agency also is chartered to streamline and standardize the contracting process.

DLA provides supply, technical, and logistics combat support to the military services and to federal civilian agencies.

Editor's Note: This information, released April 3, 2000, by the Office of the Assistant Secretary of Defense for Public Affairs, is in the public domain at <http://www.defenselink.mil/news> on the Internet.